PET 6 LIBYA

Department of State **TELEGRAM**

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VN PET 1 EEC

SECRET 299

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BRUSSELS 918

3-19-71

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ACTION EUR-25

INFO OCT-01 E-15 AID-28 CIAE-00 COM-08 FRB-02 INR-08
NSAE-00 RSC-01 TRSE-00 XMB-06 OPIC-12 CIEP-01 NSC-10
SS-20 STR-08 TRSY-11 L-04 H-02 INT-06 GSA-01 OER-01
PM-05 DODE-00 JUS-02 NEA-13 AF-12 RSR-01 /209 W
086712

R 191225Z MAR 71
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 2738
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS UNN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION OECD PARIS
USNATO 991

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cf DATE 6/22/71
PORTIONS DENIED AS INDICATED

S E C R E T EC BRUSSELS 918

SUBJ: OIL SITUATION: EC VIEWS

REF: STATE 044883

Libya
Pet
Pet 1-
PET 3 oil)

1. ON MARCH 18 WE DISCUSSED THE KEY ELEMENTS OF THE REFTEL WITH [redacted] EC COMMISSION. [redacted]

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[redacted]

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2. [redacted] NOTED THE DILEMMA NOW FACING THE INDEPENDENTS IN LIBYA AND THE REAL PROBLEMS THEY WOULD FACE IF THE CANAL WERE REOPENED OR IF AND WHEN

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FREIGHT RATES BEGIN TO FALL.

3. ON FREIGHT RATES, [redacted] SAID THE CONVENTIONAL WISDOM IN THE INDUSTRY IS THAT FREIGHT RATES ARE NOT LIKELY TO START COMING DOWN FOR ANOTHER FOUR OR FIVE YEARS (ASSUMING THE CANAL STAYS CLOSED). HE IS NOT COMPLETELY CONVINCED, HOWEVER. [redacted] THE NEW, AND HIGHER COST OF FUEL OIL HAS ALREADY WEAKENED PETROLEUM'S COMPETITIVE POSITION AS COMPARED TO SUBSIDIZED COAL AND GAS STILL AVAILABLE IN SOME COUNTRIES AT LOW PRICES. HE CONSIDERS THIS FACTOR IMPORTANT BECAUSE ABOUT ONE-THIRD OF THE COMMUNITY'S POWER GENERATING PLANTS ALREADY HAVE A BUILT IN CAPABILITY OF SHIFT FROM ONE FUEL TO ANOTHER. HE MENTIONED THAT THE COMMISSION NOW HAS UNDER STUDY THE QUESTION OF THE CHANGED COMPETITIVE RELATIONSHIPS BETWEEN VARIOUS FUELS. [redacted] SPECULATED THAT IN SOME MEMBER STATES (HE SPECIFICALLY MENTIONED BELGIUM) THE DEMAND FOR FUEL OIL MIGHT ACTUALLY DROP THIS YEAR. SUCH A TREND, IF IT DEVELOPED, COULD BEGIN TO HAVE AN EFFECT ON FRIEGHT RATES.

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4. COMMENT: WHILE WE CANNOT EVALUATE [redacted] RATHER SURPRISING COMMENTS, HE IS WELL INFORMED ABOUT MOST ASPECTS OF THE COMMUNITY'S ENERGY SITUATION.
ABRAMS

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